USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/26/2004

GAIN Report Number: AS4008

Australia

Food Processing Ingredients Sector Report

2004

Approved by:
Andrew C. Burst, Agricultural Counselor
U.S. Embassy

Prepared by:
Hassall & Associates

Report Highlights:
The food-processing sector is the largest manufacturing sector in Australia, accounting for goods and services sales of about US$30 billion in 2000/01, representing about one quarter of total manufacturing. In Australian dollars, food and beverage sales have increased steadily over the past six years. Food, beverage and tobacco were the largest contributors to the aggregate Australian manufacturing industry in value added terms. Within the food, beverage and tobacco sub sector, beverages (including wine) accounted for 22% of total value added. Total consumer expenditures on food are approximately US$39 billion. The value of food imports totaled about US$2.8 billion in 2001/02, representing approximately 7% of the Australian market.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1]
[AS]

Consultants drafted this report:

Hassall & Associates Pty Ltd
GPO Box 4625
Sydney, NSW 1044
Australia
Tel: +61-2-9241-5655
Fax: +61-2-9241-5684
Email: hassyd@ozemail.com.au
Web: www.hassall.com.au

Disclaimer: As a number of different sources were used in preparing this report, there are areas in which figures are slightly different. The magnitudes of the differences are, in most cases, small and the information is included to provide the U.S. exporter with the best possible picture of the Australian food-processing sector.

Table of Contents

INTRODUCTION

Americans and Australians have a warm relationship that spans the history of both nations. Australia and the United States share a common heritage, culture and language and have supported each other in every major international crisis of this century. Yet, despite friendship and close ties, most Americans do not know much about Australia. American television romanticizes Australia's vast continental landmass and unique wildlife, and its frontier/surfer/barbecue/sporting stereotypes. But few Americans know the real, contemporary Australia.

Australia is a prosperous, politically and economically stable, industrialized nation. It enjoys an enormous natural resource base of agriculture and minerals; a highly developed human resource base; modern legal and financial systems; and a physical and service infrastructure to support complex business and industry. Its state-of-the-art transportation and telecommunications systems (both internal and international) support a well-developed, economically diversified market. Per capita gross domestic product (GDP) is approximately US$25,353, comparable to most industrialized western countries. The economy is growing steadily, inflation and interest rates are low and investment terms are competitive. The major concerns are a relatively high unemployment rate and a large external account deficit.

Australia is one of the most urbanized societies in the industrialized world, even though its land mass is the size of the continental United States. Of its 20 million people, more than 85 percent live in the large urban areas of Sydney, Melbourne, Adelaide, Brisbane and Perth, and in smaller cities and towns within 100 miles of the ocean. The center of the continent is flat, dry, mineral rich and largely unpopulated, while the coastal areas are wet, mountainous, and densely forested. The interior plains are rich and fertile, supporting great varieties of agriculture.

The society is increasingly multi-cultural, with the traditional Anglo-Celtic majority now joined by immigrants from Southern and Eastern Europe, the Middle East, Latin America and Asia, who are all making their cultural influences felt more vibrantly.

The Australian economy is enjoying a period of solid growth with low inflation. For the 2003 calendar year, real GDP grew by about 3%, despite the effects of the recent drought on rural production. The consumer price index rose by about 2.4% in 2003. Some moderation in inflation is expected for 2004 (2%).

The Australian dollar has appreciated against the U.S. dollar by approximately 30 percent over the past year. This situation provides U.S. exporters with an ideal opportunity to increase sales to Australia as imports from the United States are now much more affordable than in the recent past.

Finalization of a Free Trade Agreement between Australia and the U.S. would provide U.S. exporters with improved access to the Australian foodservice sector.

Australian / U.S. Dollar Exchange Rates

	1997	1998	1999	2000	2001	2002	2003
A$/US$	0.7374	0.6285	0.6440	0.5761	0.5128	0.5438	0.6312*

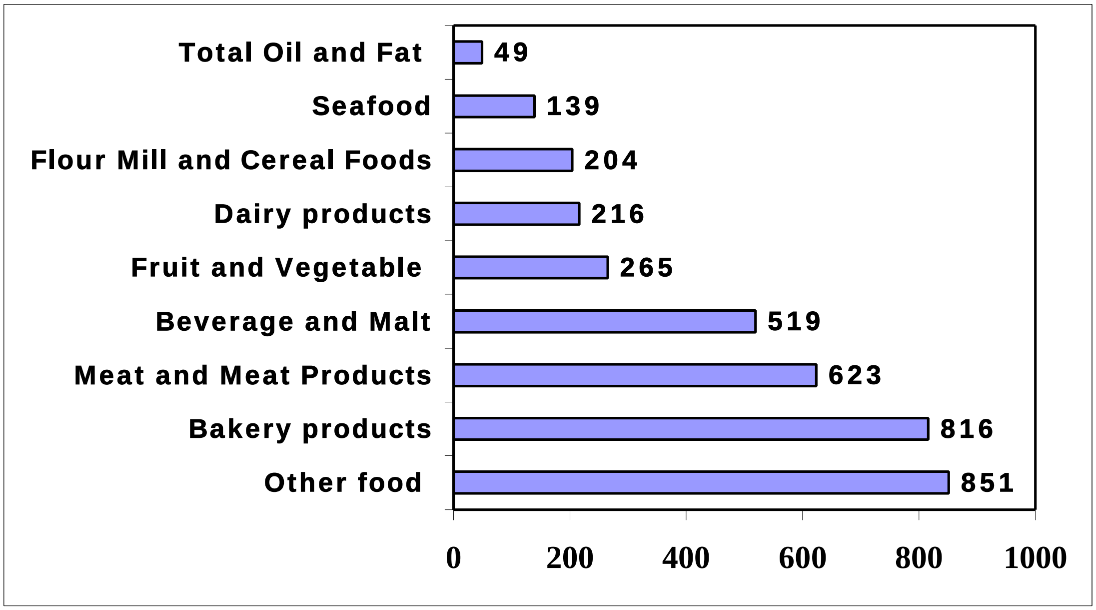
Source: Reserve Bank of Australia, www.rba.gov.au
* Preliminary
Note: These exchange rates were used to convert Australian dollars to U.S. dollars for 1997 to 2003 throughout this report.

SECTION I: MARKET SUMMARY

Food Processors in Australia

- The Australian Bureau of Statistics (ABS) collected the latest available data on the number of food processing establishments in Australia in 1999/2000. Accordingly, this data indicates there were approximately 3,682 establishments or processing plants. Figure 1 shows the breakdown by major sub-sectors of the food-manufacturing sector. The largest number of processing plants falls in the 'Other' category, which includes sugar, confectionary, prepared animal and bird feed manufacturing. Seafood processing typically appears in this category; however, in this report it is reported separately. The ABS chooses not to publish this data as it is deemed to be an unreliable indicator of economic activity. It is provided in this report as a broad indication only.

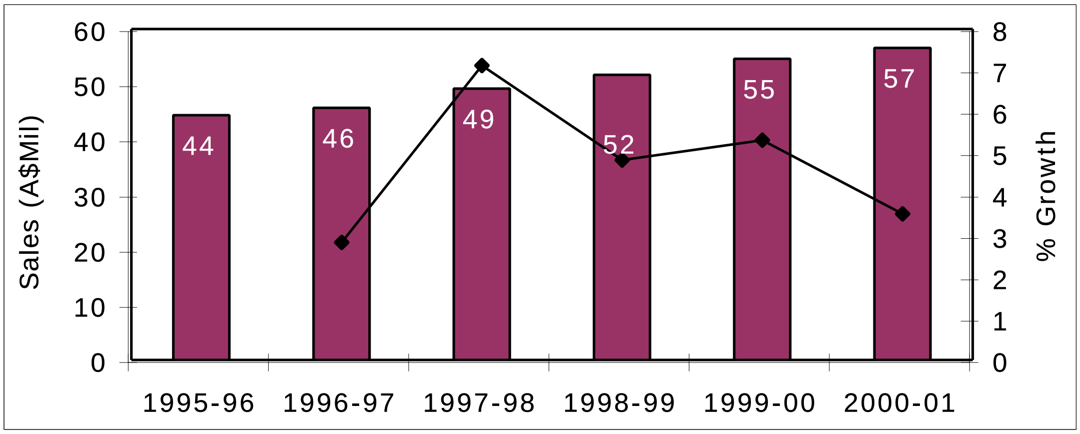
Figure 1: Number of Food Processing Establishments in Australia by Sub-Sectors



Size of Australia's Food Processing Industry

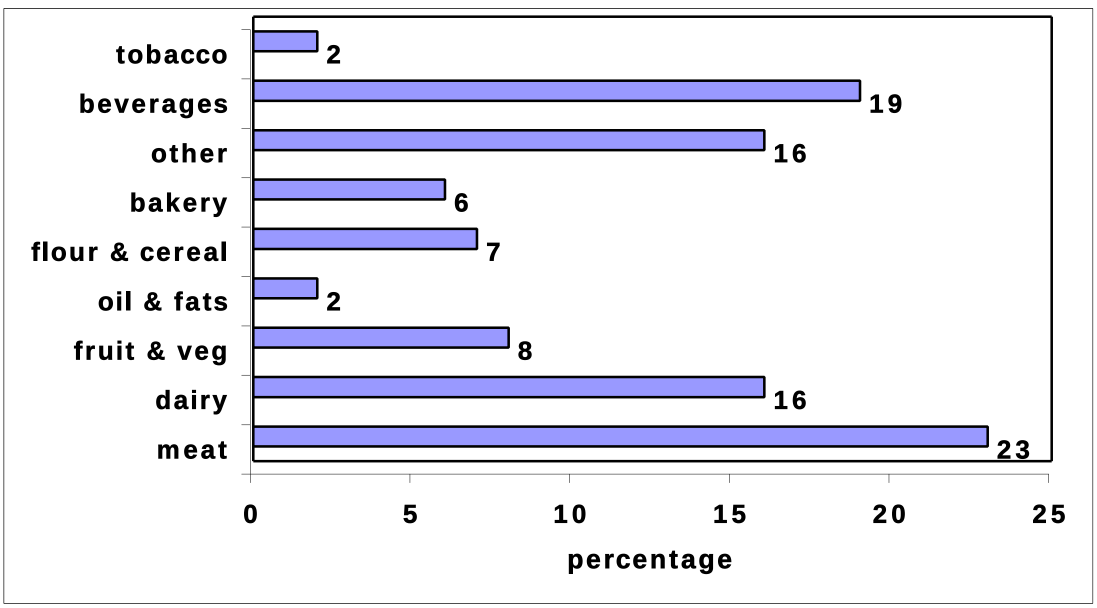
- The food processing sector is the largest manufacturing sector in Australia, accounting for sales of goods and services of US$30 billion in 2000/01, representing 22.5% of total manufacturing. In Australian dollars, food and beverage sales have risen continuously over the past six years. Growth in 2000/01 was 4%, compared to 5% in the prior two years (Figure 2).
- Food, beverage and tobacco were the largest contributors to the aggregate Australian manufacturing industry in value added terms. Within the food, beverage and tobacco sub sector, beverages (including wine) accounted for 22% of the total value added, followed closely by other manufacturing (19%), meat processing (18%), dairy manufacturing (13%), bakery industries (9%) and flour milling (7%).

Figure 2: Total Food, Beverage and Tobacco Sales and Annual growth



- Australia's food processing industry is divided into a number of different sub-sectors, including meat and meat products, beverage and malt, dairy, bakery, flour milling and cereal foods, fruit and vegetables, oil and fat, and other including sugar, confectionery and seafood. The meat and meat products sub-sector is the largest, accounting for a 23% value share (Figure 3).

Figure 3: Percentage output of sub-sectors within Australian Food Processing Sector (2001-02)



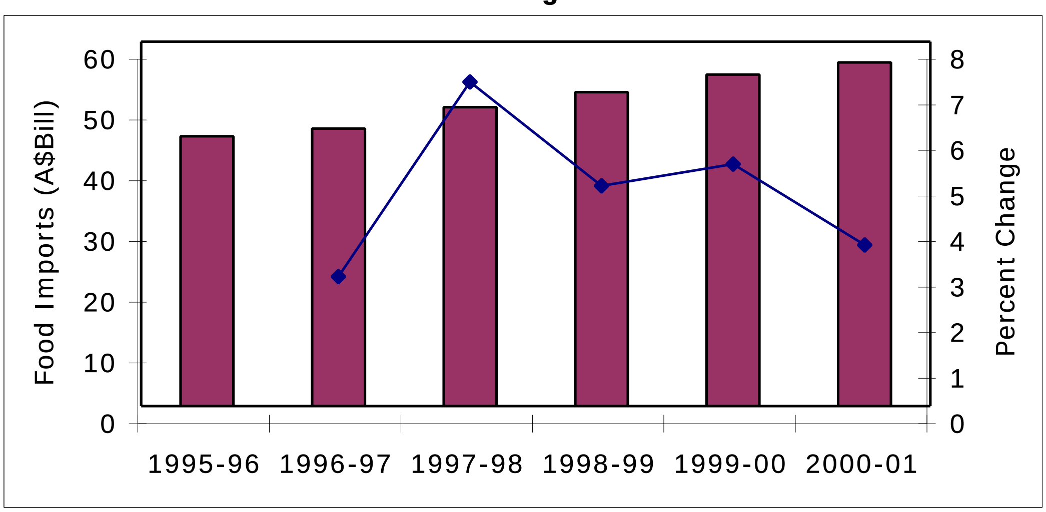
Sub Sector Performance Summary

- **Meat and Meat Production** – overall output remained steady in 2001/02, but is estimated to have fallen in 2002/03. The drop was largely due to a decrease in export demand, with the discovery of 'mad cow' disease in Japan, a leading Australian market for beef and veal exports.
- **Dairy Product Manufacturing** – output has been expanding steadily over the last few years.
- **Fruit and Vegetable Processing** – this sub-sector is mainly focused on the domestic market. Local sales have fallen slightly as many of these products are affected by drought conditions. Sales are now recovering.
- **Oils and Fat Manufacturing** – demand has remained flat, which is partly attributed to healthy eating campaigns that have dampened growth.
- **Flour Mill and Cereal Food Manufacturing** – with poor seasonal conditions, grain production and associated processing fell in 2002/03. Grain production is at record levels in 2003/04, which will likely result in a rebound in the sub-sector.
- **Bakery Product Manufacturing** – modest falls in production and local sales in the medium term.
- **Other** – this section includes production of confectionary, raw and refined sugar, prepared sugar, prepared animal and bird feeds, and processed seafood. Growth in output is expected to be moderate.

Imported Food Ingredients

- In 2001/02, total consumer expenditure on food was approximately US$39 billion. The value of food imports increased by 5%, to US$2.8 billion, representing approximately 7% of the Australian market. This import figure represents both imported goods ready for retail sale and also those food products processed further in Australia.
- In Australian dollars, food imports have risen (in value) for the last six years at an average growth rate of about 5%.

Figure 4: Total Australian Food Imports from 1995-96 to 2001-02 and Percent change



- More detail on the level of transformation of Australian food imports and the value of imports for each sub-sector is provided in Table 1. Minimally transformed indicates basic refining or manufacturing processes, moderately transformed implies that manufacturing processes have processed or refined raw material into a recognizable product, and elaborately transformed indicates commodities have undergone processes to create an end use product.

Table 1: Food Imports by Level of Transformation

Processing Industry	Imports 2000-01 (US$Mil)	Imports 2001-02 (US$Mil)
Minimally Transformed		
Live animals except fish	0.0	0.5
Fish or shellfish	19.7	19.3
Vegetables	13.8	12.6
Fruit and Nut	58.5	61.3
Grains	0.0	0.0
Oilseed	12.8	11.0
Food nec	61.1	45.1
Substantially Transformed		
Meat	55.8	107.9
Seafood	448.1	453.2
Dairy	169.6	168.2
Fruit and Vegetables	400.3	425.4
Oil and fat	146.2	146.7
Flour mill and cereal	145.1	129.9
Bakery products	92.5	85.4
Other food	581.6	607.7
Beverage and malt	467.8	499.8
Minimally Processed	**166.4**	**150.4**
Highly Processed	**2,447.5**	**2,553.5**
Processed Food	**76.0**	**90.1**
Total	**2,689.4**	**2,794.0**

- The largest contributors to substantially processed food and beverage imports in 2001/02 were other manufacturing (24%), beverage and malt (20%), seafood (18%), and fruit and vegetables (17%).
- In 2001/02, over one third of Australian food imports came from three countries. They were: New Zealand - 18.3%; United States - 8.5%; and, Thailand - 7.1%.

- In 2001/02, 95% of total food imports were substantially or elaborately transformed and originated mainly from New Zealand, the United States, Thailand and the United Kingdom. The remainder of imported food inputs (5%) was minimally transformed products and originated mainly from New Zealand, the United States and China.
- Australian inputs into the food and beverage sector have been estimated for each sub-sector and summarized in Table 2. Meat is the largest contributor at 29% of total inputs, followed by dairy at about 20%. Local inputs have been estimated using the latest available statistics from the Australian Bureau of Statistics and are provided as an indicative estimate only.

Table 2: Australian Inputs into the Food and Beverage Industry

Manufacturing Sub-sector	Local Inputs (US$Mil)
Meat	4,392
Dairy	3,019
Fruit & Vegetables	986
Oil & Fat	588
Flour Mill and cereal	1,091
Bakery	534
Other Food	2,208
Beverage and Malt	2,482
TOTAL	15,299

Key Market Drivers

Functional Foods

- The major drivers for functional foods in Australia are:
  - ageing;
  - the relationship between diet and health;
  - healthy lifestyle; and
  - disease prevention.
- Common examples of functional foods marketed in Australia include phytosterols, probiotics, fortified products containing increased levels of calcium, vitamins, folates and special performance drinks, including sports drinks.
- The Australian government is funding a new center that will help the food industry to produce functional foods that address these concerns. The Center for Functional Foods will apply its expertise to the commercial application of research and learning.

Convenience

- Drivers for convenience foods include:
  - increasing number of households where both partners work, increasing demand for home meal replacements;
  - desire to prepare meals from fresh ingredients, but with minimal preparation time;
  - time constraints have boosted demand for the convenient supply of meal ingredients, e.g., having all meal components for a stir fry located next to one another in the supermarket; and
  - consumers continue to want to be involved in the cooking act. Semi prepared foods, such as peeled fresh vegetables, etc., are becoming more popular.

Health

- Increasing awareness among the population of health issues has led to demand for:
  - more natural wholesome foods;
  - foods that have an associated health benefit, e.g. reduce cardiovascular disease;
  - foods with high nutritional value;
  - more information on the nutritional content of food; and
  - organic foods that are free of pesticides and not genetically modified.

Variety

- The challenge is to increase the variety and improve the quality and nutritional value while maintaining affordability through efficient manufacture.

Advantages and Challenges Facing U.S. Products in Australia

Advantages	Challenges
The reverse production and marketing seasons between Australia and the United States mean that some fruit and vegetable imports do not compete with locally produced fruit and vegetables.	Australia has strict quarantine requirements for imports of fresh products. Import permits are required for fresh products and some products are prohibited.
Australia does not produce sufficient quantities of some natural ingredients or specific varieties: tea, coffee, cocoa; seafood and natural colors.	Australia is one of the few countries seen as being free from BSE or mad cow disease. Import regulations on all meat products (including processed) are very tight.
Many of the major trends in flavors that impact on the Australian ingredients market have their origins in the United States.	U.S. exports compete with Australian produced products, U.S. products established in the market, and increasingly imports from developing countries, which are available at a range of quality and at low cost.
Australia has a large population mix in its multicultural society. People desire traditional-type foods, thus creating demand for a variety of food products.	An increasing number of low cost foods are available from developing countries.
Australia has an affluent consumer base.	
The relative decline in the U.S. dollar makes U.S. products more competitive.	

SECTION II: ROAD MAP FOR MARKET ENTRY

A: Entry Strategy

Market Access for Imported Products

- There are many opportunities for imported products in the Australian food processing market and many ways in which to gain market access. Market entry can be greatly assisted by local representation. What form this local representation takes depends on the exporter, the products, and the Australian representative. The local representative should be able to provide market knowledge, up-to-date information and guidance on business practices, trade-related laws, food standards, sales contacts with existing and potential buyers, and market development expertise. The U.S. supplier should provide samples, product specifications and nutritional data for all products and provide representatives with the necessary training. Using marketing materials and product information will allow the representative to canvas the customer base to determine the level of interest.
- The majority of food ingredient imports move through a third party in the form of an import agent, trader or wholesaler. Often this third party can provide invaluable assistance to help overseas suppliers meet import conditions. The majority of food processors in Australia use import agents to source product as well as buying direct from other processors or producers.

Competitive Analysis

- Import data for 2001/02 indicates that U.S. food imports into Australia face competition primarily from local products and imports from New Zealand and Thailand. Based on 2001/02 import data, the six main countries from which Australia imported food and beverage products were New Zealand (18.3%), United States (8.5%), Thailand (7.1), UK (5.5%), Ireland (5.1%) and Italy (4.5%).
- Total food imports from the United States decreased in 2001/02 to AU$455 million (US$238.4 million) from AU$488 million (US$259.4 million) in 2000/01. In 2001/02, Australian imports of substantially transformed food commodities from the United States (by value) accounted for 88% of imported U.S. ingredients. During the same period, imports from New Zealand rose by nearly 11%. Table 3 shows the breakdown by level of transformation of New Zealand and U.S. imports for 2000/01 and 2001/02.

Table 3: Australian Food Imports from New Zealand and the U.S.

	New Zealand (US$mil)		U.S. (US$mil)	
	2000-01	2001-02	2000-01	2001-02
Minimally Transformed	45	46	19	21
Substantially Transformed	400	443	230	210
Elaborately transformed	16	22	11	7
TOTAL	**461**	**471**	**260**	**238**

Comparative Advantage of U.S. Products

- Due to the size of the U.S. market, U.S. manufacturers are able to develop a range of products far beyond that which can be achieved in Australia. This enables U.S. exporters to deliver innovative product lines that are otherwise not available - for example food colors and flavors.

- Large scale and efficient agricultural production enables U.S. products to compete in international markets.
- World-class technology and advanced manufacturing expertise also creates an advantage for U.S. exporters.

Receptivity of Distribution Trade

- The distribution services sector accounts for a large share of economic activity in Australia. Wholesale and retailing services contribute 10% to GDP and make up approximately 20% of full-time employment. The sector is essentially a domestic one - Australian wholesalers and retailers undertake little significant international trade. This may change, however, as business processes and supply chains are transformed by globalization and new technologies
- Within the Australian food sector, there are many companies that import products. Some are highly specialized for a particular type of ingredient, for example, organic products or nuts. Other agents, however, import a wide range of goods from food additives to spices.

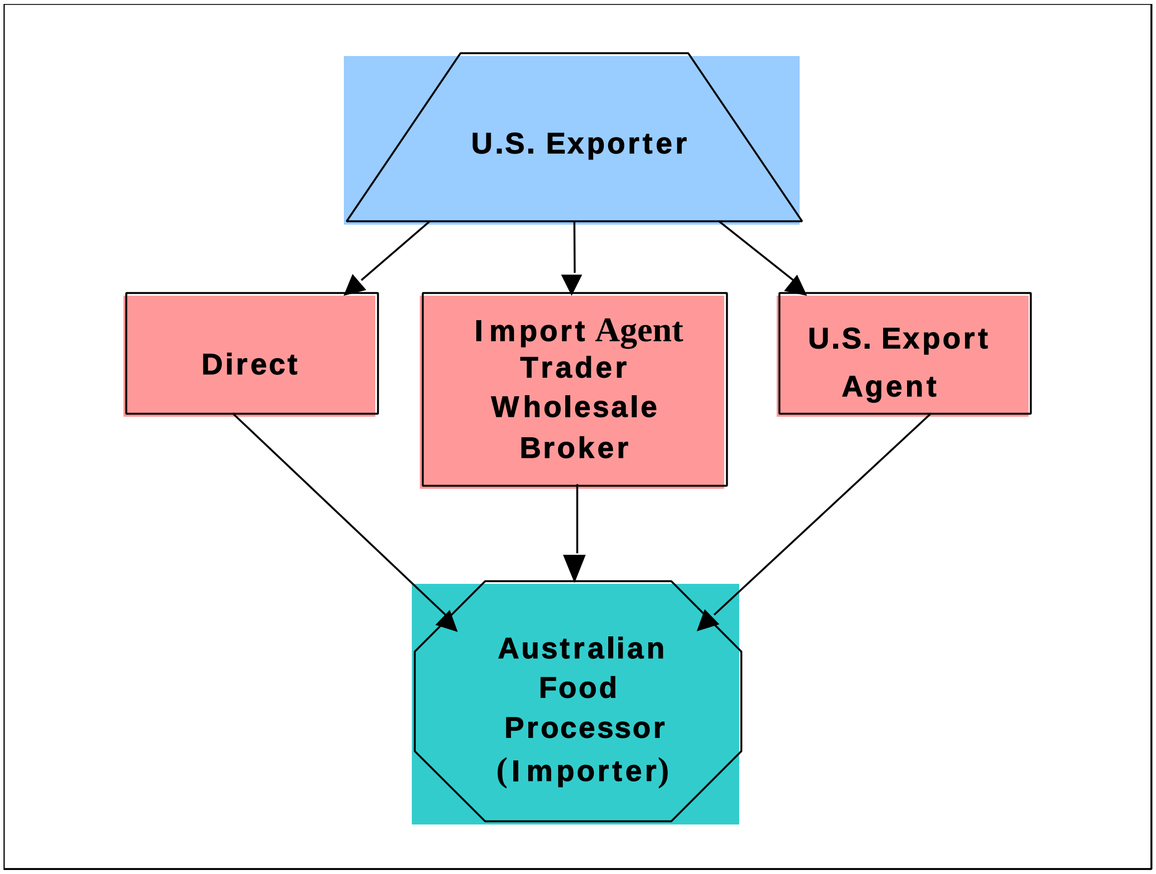
Ability or Willingness of U.S. Exporters to Meet Market Requirements

- The Australian market is very 'Americanized,' with most U.S. food categories compatible with Australian tastes. There are, therefore, many opportunities for U.S. exports in Australia.
- It would be helpful to engage a broker who knows the market, knows what the retailers need by way of presentation documents, and generally has high-level trade relationships. Other services offered by brokers can include some or all of the following: warehousing, distribution, and assistance with customs and quarantine paper work.
- In addition to meeting market requirements, all food imported into Australia must comply with the requirements of the Quarantine Act 1908 as applicable (for animal and plant disease control) and requirements of the Imported Food Control Act 1992 (for matters relating to food safety). To satisfy quarantine requirements it may be necessary for importers of certain foods to obtain a Permit to Import Quarantine Material. This is particularly true for fresh fruit and vegetables or food that may contain any milk, egg, meat or other animal products as an ingredient. In addition to obtaining a permit, some products require additional conditions to be met before importation. To obtain up-to-date information about import conditions for products refer to the Import Conditions (ICON) database maintained by the Australian Quarantine and Inspection Service (http://www.aqis.gov.au/icon/asp/ex_querycontent.asp). See Section V of this report for additional guidance on import and labeling regulations.

B: Market Structure

- Imported food ingredients, for the most part, move from the U.S. exporter to the Australian processor through an import agent, or by Australian companies going direct to the U.S. exporter. Figure 1 shows the flow of product through the distribution chain. From the Australian food processor, product is supplied to other processors, both the retail and food service industries, and also for export.

Figure 1: Distribution Flow Diagram of U.S. products to Australian Food Processors



- The majority of Australian processors procure their food inputs through agents, local wholesalers and distributors, while some of the larger companies have established direct relationships with larger U.S. suppliers.
- Certain imported products will undergo an inspection and/or quarantine period, which is unlike the distribution channels for domestic products. Another difference between the distribution channels for domestic and imported product is that some large manufacturing companies enter into agreements to buy directly at the farm gate, often under long-term contracts.

C: Company Profiles

- A summary of the major companies that make up the food-processing sector is presented in Table 4. In terms of Australian dollars, the percentage increase in sales over the previous year is 6% (nominal). The latest available data has been used, as indicated in the sales column.

Table 4: Summary of Major Processing Companies

Company Name and Type of Food Processor	Sales ($Mil)	End-Use Channel	Production Location	Procurement Channels
Goodman Fielder (bakery, specialized food ingredients, snack foods, meal solutions, breakfast cereals, bakery mixes, condiments)	$1,563 (year ending June 2002)	Retail, foodservice and processing	Australia, South Pacific, Taiwan, Indonesia (JV)	Direct, import agents, distributors
Nestle Foods (Swiss Parent) (dairy, confectionery, infant formula, prepared meals, beverages, snacks)	$1,231 (2001)	Retail and HRI	Australia, UK, U.S., Europe	N/A
Gardner Smith (U.S. Parent) (oilseed products/cooking fat and oil/tallow)	N/A	Retail, foodservice and processing	Australia, U.S., Africa, China, United Kingdom, New Zealand, Singapore	Direct
Coca Cola Amatil (beverages)	$1,867	Retail and foodservice sectors	Include Australia, the Philippines, China, U.S., India	NA
George Weston (bakery, meat, dairy, small goods)	$915	Retail and foodservice sector	Primary operations in Australia, New Zealand.	Direct, import agents, wholesalers, brokers
Dairy Farmers (dairy)	N/A	Retail, foodservice and processing	Australia	Local direct, import agents, wholesalers, distributors
Australia Meat Holdings (meat, barley malting)	$1,518 (year ending June 2003)	Retail, foodservice and processing	Australia	Direct
CSR (sugar)	$708 (year ending June 2003)	Retail, foodservice and processing	Australia, U.S., Asia, New Zealand	Direct
National Foods (dairy, beverages)	$714 (year ending June 2003)	Retail, foodservice and processing	Australia, Hong Kong, New Zealand (license), Singapore (license)	Importers agents, wholesalers, direct, import brokers, distributor
Murray Goulburn (dairy, dairy based ingredients)	$1,246 (year ending July 2003)	Retail, foodservice and processing	Australia	Direct, import agents, distributors

Bonlac Foods (dairy, beverages, dairy based ingredients for ice cream, confectionery, infant formula, bakery and dairy industries)	$644 (year ending July 2003)	Retail, foodservice and processing	Australia, Asia (JV), New Zealand (JV)	Direct, import agents, distributors
Effem Foods (prepared meals, dry foods, soups, flavoured rice, pet food)	$816 (2002)	Retail	45 countries including: Australia, U.S.	NA
Cadbury Schweppes (beverages, condiments, confectionery)	$865 (2002)	Retail and foodservice	Australia, U.S., UK	Direct, import agents, import brokers
Inghams Enterprises (poultry products)	$711 (year ending July 2003)	Retail and foodservice	Australia, New Zealand	Approved suppliers/agents
Arnotts (baked goods, snack foods)	US$779 (Asia Pacific 2003)	Retail and foodservice	Australia, Papua New Guinea, Indonesia	Direct, import agents, wholesalers, distributors
Ridley Corporation (refined salt; animal feed)	$827 (year ending June 2003)	Retail and foodservice	Australia, New Zealand U.S., Canada, Asia European Union	Direct
Nippon Meat (meat)	$502 (year ending April 2003)	Retail and foodservice	Australia	Direct
Pauls (Italian Parent Parmalat) (dairy)	N/A	Retail and foodservice	Australia, China and Thailand	Direct, import agents, wholesalers
Kraft Foods (dry goods snack foods, condiments, prepared meals, frozen meals, beverages, goods)	$363 (2002)	Retail and processing	Australia (5) U.S. (51) 7 Distribution) Canada (11 Factories; 3 Distribution)	Direct, import agents, distributors, import brokers

D: Sector Trends

Foreign Direct Investment

- **Investment from the U.S. is significant:** The U.S. was the most important source of foreign investment in Australia in 2001/02, accounting for approximately 29% ($242 billion) of the total $845 billion in foreign investment.
- **Equity in the Australian food industry:** Inbound foreign direct investment is responsible for approximately 50% of the equity in the Australian food manufacturing and food retailing industries, according to the latest available statistics.
- **Independence and autonomy valuable to foreign owned companies**: Foreign-owned companies in Australia can expand through licensing arrangements from Australia to Asia, establishing offshore subsidiaries and workplaces, depending on the parent company and the nature of the product range.
- **U.S. investment in the food-processing sector:** Many food processing companies in Australia have a U.S. parent, U.S. origins, or a level of U.S. investment.

Off-Shore Production Activities

- Goodman Fielder, the top food processor and manufacturer in Australia, has manufacturing operations in Papua New Guinea, South Pacific and Taiwan (Goody Foods Co. Ltd). Goodman Fielder also has a joint venture operation in Indonesia with PT Sinar Meadow International Indonesia, which processes and markets edible oils. Goodman Fielder's operations involve manufacturing, marketing and distribution of food products to over 40 countries.
- George Weston is Australia's largest and best-known producer of bread, with its top brand being "Tip-top". All bread production is along the east and west coasts of Australia. George Weston's food and industrial ingredients are handled through a network of multi-site operations. Furthermore, affiliated companies are located in many countries to provide access to raw materials, suppliers and customers.
- The export activity of these firms suggests that Australian owned food-processing companies are generally engaged in export. A study conducted for the Rural Industries Research and Development Corporation in 2000 (www.rirdc.gov.au) estimated that food manufacturers with more than 50% foreign ownership were four times more likely to have some export sales than firms which were Australian owned.

Consumption Trends

- The growth of the food processing industry and, therefore, the demand for food ingredients, is dependent on a number of factors including consumer requirements for further advances in convenience, rising consumer consciousness of nutrition, consumer demand for diverse cuisine and new flavors, and the increasing diversity of the Australian population. Factors acting against further growth are the slow growth in population, consumer sensitivity to prices, and increasing demand for organic and fresh foods.
- Consumption trends that influence the type and quality of inputs being used by the food processing industry are:
  - **Rising awareness of organic foods:** The organic food market, which was once seen as a small niche market, is now moving into the mainstream of the food industry.
  - **Electronic commerce in the food industry:** The Internet is having a major impact on the food industry, with e-commerce increasing the variety and availability of products.

- **Increasing popularity of 'functional foods':** The growing interest in health and nutrition has spurred the production of a whole new range of foods with added health and nutritional benefits (called "functional foods"), such as fat spreads with added fiber to lower cholesterol.
- **Food for consumers with food allergies, intolerance and other requirements:** There are an increasing number of consumers who have special dietary requirements due to conditions such as asthma, celiac, diabetes and high blood cholesterol or they are increasing their fitness. An increasing number of these types of products are becoming available in supermarkets to satisfy demand.
- **Multicultural nature of Australian population influencing food choices:** The multicultural nature of the Australian population continues to influence food choices. There is a strong growth in Asian food imports, reflecting both increasing demand for foods from "home" countries by immigrants and a growing appreciation for this style of food by the community in general.

SECTION III: COMPETITION

- Net imports for nine major processed food types, as outlined in Section II, are presented in Table 5. This table also highlights keys advantages and disadvantages of locally produced verses imported products. The competitive situation, with respect to major supply sources, facing U.S. suppliers is summarized by main import sources, as data is not available on the total local production for each category (import statistics are unavailable for prepared meals).
- New Zealand is the major supply source of imports for nine of the 12 categories in Table 5. The Australian-New Zealand Closer Economic Relationship Trade Agreement (ANZCERTA) is a bilateral trade agreement that exists between the two countries. The ANZCERTA has greatly contributed to the bilateral trade relationship experienced today.

Table 5: Summary of the Overall Competitive Situation Facing U.S. Imports

Product Category	Major Supply Source of Imports	Strengths of Key Supply Countries	Advantages & Disadvantages of Local Suppliers
Red meat[1] Net Imports: 1,204 tons US$3 million	New Zealand 74% Australia 14% U.S. 11%	▪ NZ trade Agreement.	▪ Australia is the world's largest beef exporter and one of the largest lamb and mutton exporters.
Fish and Seafood[2] Net Imports: 91,715 tons US$318 million	New Zealand 31% Thailand 9% South Africa 7% China 7%	▪ Half the quantities of imported seafood come from just two countries — New Zealand and Thailand. ▪ The quantity of chilled fish imported has grown 30% in just four years. ▪ Australians are increasingly willing to experiment with various food types and preparations, creating a market for species and products that are unavailable locally.	▪ Imported seafood products now provide more than 60% of seafood sold in Australia. ▪ Consumption of imported seafood has reached 140,000 tons a year or 50% more than levels of 10 years ago, with an industry value today of about US$544 million. ▪ Australian fisheries are unable to meet demand for some products.
Poultry[3] Net Imports: 904 tons US$2 million	New Zealand 46% U.S. 17% Croatia 12% Slovakia 7%	▪ NZ trade agreement. ▪ NZ and U.S. are able to meet and satisfy tight regulations for import.	▪ Uncooked poultry imports are banned. ▪ Import conditions for cooked poultry products are very strict.

Dairy[4] Net Imports: 65,476 tons US$149 million	New Zealand 81% Italy 3%	▪ NZ trade agreement. ▪ NZ brand recognition and patronage with NZ owned brands representing approx. 17.1% market share.	▪ Australian products are widely regarded as synonymous with quality and variety. ▪ Comparative price advantages and the safety issues further assist the case for local and New Zealand product.
Prepared Fruits & Vegetables[5] Net Imports: 99,177 tons US$134 million	New Zealand 27% U.S. 24% Turkey 16%	▪ NZ trade agreement. ▪ NZ has a clean/green image. ▪ Close proximity to NZ. ▪ Large population mix in Australia and some people desire foods from home.	▪ Many import bans exist for fresh fruit and vegetable. ▪ Supply chain favors local grown fruit and vegetable with respect to fresh ingredients.
Baked Goods[6] Net Imports: 37,837 tons US$68 million	New Zealand 20% Thailand 12% China, UK and U.S. 8%	▪ Arnott's dominates biscuit category with 54.1% share (by value). ▪ Products produced on large-scale production.	▪ Supply chain favors locally baked goods for freshness. ▪ American brands are manufactured locally.
Confectionary[7] Net Imports: 42,075 tons US$130 million	New Zealand 21% U.S. 8% UK 7% Spain 7%	▪ NZ trade Agreement. ▪ NZ - close proximity and therefore lower transaction costs. ▪ Brand recognition.	▪ Many U.S. branded products are made in Australia. ▪ Australia processing plants have access to a large range of raw materials.
Snack Foods Net Imports: 38,489.1 ton US$89 million	Vietnam 26% U.S. 10% China 7%	▪ Vietnam is the second largest cashew exporter in the world. ▪ Vietnam is an efficient producer with yields generally higher than in competing countries. ▪ Processing is competitive with low labor costs.	▪ The climate in Australia is favorable for producing many different types of nuts. ▪ Many sweet snacks (for example biscuits) are made in Australia under American brands.
Beverages Net Imports: 136,796 ton US$371 million	UK 23% New Zealand and U.S. 15% France 13%	▪ NZ trade agreement.	▪ Coca Cola Amatil holds a nearly 60% market share.
Dry Goods and Condiments Net Imports: 141,408 ton US$223 million	New Zealand 27% Thailand 16% U.S. 12 % Italy 7%	▪ NZ trade agreement.	▪ Australia is able to produce a range of primary inputs for this category and manufacture locally.

Specialized Food Ingredients Net Imports: 38,280 ton US$24 million	New Zealand 15% France 14% Italy 13% Thailand 12%	▪ NZ trade agreement.	▪ Demand is low for some highly specialized ingredients and therefore favors imports.

The level of information available on each Customs Tariff Code restricts the analysis provided in Table 5. The primary constraint is that imports are recorded as food type (for example 'nuts fresh or dried') and not their end use (for example further processing, snack food market etc). Details of the Customs' Tariff Codes included in each category are documented to assist with the interpretation of Table 5. Codes have been assigned to each food category to the best of our ability, however these results should be used as a guide only. For more information about the type of products included in each codes, please refer to the Australian Customs Service website at: http://www.customs.gov.au.

1. Red Meat includes Custom Tariff Codes 0201, 0202,0204, 0206, 0207, 0208 and 0210.
2. Fish and Seafood include Custom Tariff Code 0302, 0303, 0304, 0305, 0306, and 0307.
3. Poultry includes Custom Tariff Code 1602.3 Prepared or preserved poultry meat.
4. Dairy Category includes Custom Tariff Codes 0401, 0402, 0403, 0404, 0405 and 0406.
5. Prepared Fruit and Vegetables includes Custom Tariff Codes 0703, 0704, 0706, 0707, 0708, 0709, 0710, 0712, 0713, 0714.
6. Baked Goods includes all Custom Tariff Codes under reference number 1905 except 1905.31.00 (Sweet Biscuits).
7. Confectionary category includes Customs Tariff codes 1704 – sugar confectionary not containing cocoa and 1806 – chocolate and other food preparation containing cocoa.
8. Snack Food category includes Custom Tariff Codes 0801, 0802, 1905.31.00
9. Beverage category includes Custom Tariff Codes 2201, 2202, 2009, 2203, 2204, 2205, 2206 and 2208.
10. Dry Goods and Condiment category includes Custom Tariff Codes 2104 (Soups etc), 1902 (Pasta), 2309.1 Pet Food, 2103 Condiments, 1904 (Cereal prep).
11. Specialised Food Ingredients include Custom Tariff Codes 2209 (Vinegar and Substitutes for Vinegar), 1108 (Starches; inulin), 1107 Malt, 1106 (Thickeners), 2102 Yeasts

SECTION IV: BEST PRODUCT PROSPECTS

Category A: Products Present in the Market Which Have Good Sales Potential

- The products presented in Table 6 are currently available in the Australian food-processing sector in large quantities. Significant proportions of these products are imported and therefore may provide U.S. exporters with some opportunities. Market share information is not available.

Table 6: Products Present in the Market That Have Good Sales Potential

Product Category	2002 Imports ($Mil)	5-yr Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Seafood– Shrimp and Prawns[1]	90	9%	Free	▪ Dominated by Thailand with low labor cost and high quality product.	▪ Australia unable to meet all demands for seafood products locally.
Edible Fats and Oils[2]	178		Free - 5%	▪ Australian seasonal conditions impact on import demands.	▪ Australian production is seasonal.
Cocoa[3]	164	5%	Free – 5%	▪ Most of the world's supply of cocoa is produced in developing countries.	▪ Australia is not major producing country. ▪ U.S. is one of the largest cocoa importers.
Spices[4]	22	9%	Free	▪ Most of the world's supply of spices is produced in developing countries.	▪ There is a trend for greater processing and packaging in developing countries. ▪ Spice mixtures are gaining market share as they are convenient and innovative.

Tea[5]	52	9%	Free	▪ U.S. supplied Australia with 1% by quantity, less than 1% by value of 2002 tea imports. ▪ Large variation in quality of tea imports and price paid. For example, Indonesian imports represent 30% by quality but only 16% by value. UK imports represent 6% by quantity but 23% by value.	▪ Small proportion of Australian grown tea is consumed in Australia. ▪ The antioxidant benefit of tea is increasing its popularity as a healthy beverage. ▪ Customers are demanding variety with high quality, flavor and aroma.

1. Includes Customs Tariff Codes 0306.23.00 and 0306.13.00
2. Includes Customs Tariff Codes 1507 (soya-bean oil and its fractions), 1508 (ground nut oil), 1509 (Olive Oil), 1511 (Palm Oil), 1512 (Sunflower-seed or safflower oil), 1513 Coconut, palm kernal or babassu oil, 1514 (Rape, colza or mustard oil), 1515 (other fixed vegetable fats and oils, 1516 (animal or vegetable fats and oil and 1517 (Margarine).
3. Includes Customs Tariff Codes Chapter 18
4. Includes Customs Tariff Codes 0904 Pepper, 0905, Vanilla, 0906 Cinnamon, 0907 (Cloves), 0908 Nutmeg, mace and cardamoms, 0909 Seeds of anise, badian, fennel, coriander, cumin or caraway, juniper berries) and 0910 Ginger, Saffron, turmeric, thyme, bay leaves, curry and other spices.
5. Includes Customs Tariff Codes 0902

Category B: Products Not Present in Significant Quantities but Which Have Good Sales Potential

- Products identified in this category include: new innovative products (colors and flavors) that have recently been developed and are currently advertised in foodservice industry magazines; and other foods (e.g. organic and soy products) that, by comparison to similar products on the market (e.g. other fresh fruit and vegetables and dairy products), represent a small proportion of the market.

Table 7: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2002 Market share ($Mil)	2002 Imports ($Mil)	5-yr Avg Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Soy[1]	N/A	N/A	N/A	N/A	▪ A single player - Sanitarium (So Good), dominates market. ▪ Australian seasonal conditions impact on import demand ▪ At present	▪ U.S. is large producer of soybeans ▪ Growing health conscious attitudes may create growth potential for this product, especially products that are not

					soymilk has 2% share of consumers total non-alcoholic beverage consumption over a 7-day period. ▪ Australia is a relatively small market compared to most Asian countries.	produced using gene technology.
Natural Colors and Flavors[2]	N/A	N/A	N/A	N/A	▪ May not be suitable for medium to bulk product where a nature-identical product may be more suited. ▪ Natural flavors are often a more expensive alternative to nature-identical and current labeling legislation does not require distinction between 'natural' and 'nature-identical'.	▪ Color and flavor ingredient serve an important function in food processing. ▪ Industry will keep growing due to desire for innovation. ▪ There has been a market shift for natural colors and flavors in Australia in many segments including confectionary, beverage, snack and dairy.
Organic Products[3]	US$109	N/A	N/A	N/A	▪ Organic processors need to be certified. ▪ Final product cannot be labeled as "certified organic" unless it contains over 95% of organic ingredients.	▪ In Australia 1% of farming is organic. ▪ In the past 4-5 years, the industry (including farming to the retail market, has grown 25%. ▪ Growing shelf space for organic products.

1. Soy products may fall into a number of tariff classes depending on what it is and how processed it is
2. Colors and flavors may fall into a number of tariff classes depending on what it is and how processed it is
3. Retail sales of organic produce in Australia are estimated to have increased from $28 million in 1990 to nearly $200 million in 2003.

Category C: Products Not Present in the Market Because They Face Significant Barriers.

- Industry advice suggests that where products are not present in a market it is primarily because the distribution channel is not yet developed for a particular area, or demand for the product is not large enough to warrant supply. Generally, everything required in Australia is available, so much so that Australia exports culturally specific products to other countries (e.g. exporting Asian cuisine to Asia).
- Products in this category include many fresh fruits and vegetables and poultry products, which are prohibited entry; meat and meat products and eggs, which have very strict import requirements.
- U.S. exporters should use the Australian Quarantine and Inspection Service Import Conditions (ICON) web site to check on the import conditions for various products - http://www.aqis.gov.au/icon32/asp/ex_querycontent.asp

SECTION V: OTHER INFORMATION AND POST CONTACT

Guidelines for Companies Interested in Exporting Food Products to Australia

Import Regulations

- An invaluable site for companies interested in exporting food products to Australia is an import guidelines site of the Department of Agriculture, Fisheries and Forestry (Federal Government) http://www.affa.gov.au/importguidelines/. The process for quarantine clearance, imported food inspection, foods likely to require risk analysis is explained clearly with contacts for additional questions.
- Information on Food Law and Policy in Australia can be obtained from the www.ausfoodnews.com.au website.
- See the Australian Quarantine & Inspection Service import conditions (ICON) database to identify whether your product is prohibited entry to Australia http://www.aqis.gov.au/icon32/asp/ex_querycontent.asp

Australia's Food Labeling Regulations

- In Australia, Food Standards Australia New Zealand (FSANZ) regulates the delivery of safe food. FSANZ is a bi national independent statutory authority that develops food standards for composition, labeling and contaminants (including microbiological limits) applying to all foods produced or imported for sale in Australia and New Zealand. FSANZ operates under the Food Standards Australia New Zealand Act 1991.
- The Foreign Agricultural Import Regulations and Standards (FAIRS) report from this office contains detailed information on the Food Standards Code and other food regulations. A copy of the most recent annual report can be obtained by conducting a "AGR Number" (Option 3) search for report number AS3028 on the following page web page: http://www.fas.usda.gov/scriptsw/attacherep/default.asp.
- An Internet version of the code can be located on the FSANZ web site at: http://www.foodstandards.gov.au/foodstandardscode/

Investing in Australia

- The website of the Australia's Department of Industry Science and Technology has useful information for companies interested in investing in Australia. http://www.dist.gov.au/invest/

Food Industry Web Initiatives - Nutrition Australia

- **Nutrition Australia** has launched its new website at http://www.nutritionaustralia.com. This features downloadable fact sheets, media releases, position papers, frequently asked questions, recipes, newsletters, booklets and a search engine.
- **List of food manufacturers** and contact details for variety of canned goods see the following website: http://www.cannedfood.org/varieties.html

Trade Shows

- **Fine Food** is the largest food industry show in Australia and incorporates the Supermarket and Hotel shows. The show gives buyers the chance to sample new products and talk directly to the suppliers. The new natural product section is expected to be a major draw card, with chefs and retailers discovering products that kind to the environment, kind to consumers and a big hit on the menu. In 2004, the show will be held at the Melbourne Convention and Exhibition Center from September 6-9. In 2005, the show will be held in Sydney. For further information please contact Australian Exhibition Services at the address below.

  Timothy Collett, Show Director
  Australian Exhibition Services Pty Ltd
  Illoura Plaza, 424 St Kilda Road
  Melbourne Victoria 3004
  Australia
  Tel: +61-3-9261 4500
  Fax: +61-3-9261 4545
  Email: food@ausexhibit.com.au
  Web: http://www.finefoodexpo.com.au

Bibliography

- The majority of company information used in preparing this report was sourced from corporate websites. Details on sales and revenue was obtained via the following website: http://www.seek.co.nz/if.asp?loc=ibis. Additional company information was obtained by consultation with staff of the applicable company.
- Other resources used in preparing this report include the following industry magazines:
  - Australian Food & Beverage Industry Compendium 2001 and 2002 editions.
  - Retail World (periodical).
  - Food Australia (periodical).
  - Food & Pack (periodical).
  - Publications include:
  - Australian Bureau of Statistics.
  - The Growth Grid 2003, No. 1, Econtech.
  - Australian Food Statistics 2003.

Post Contact

Office of the Agricultural Counselor
U.S. Embassy
Moonah Place
Yarralumla ACT 2600
Australia
Tel: 61-2-6214-5854
Fax: 61-2-6273-1656
Email: AgCanberra@usda.gov